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THE CREDIT MANAGER AND SIMPLIFIED PRACTICE
By Ray M. Hudson, Chief, Division of Simplified Practice.

Modern business is laying great stress on reducing not only the costs of manufacturing and selling but also of collecting pay for goods sold. The trend of organization in business is for closer teamwork, in order to achieve these ends. One of the important links in the business chain is the credit department; and for this reason it is worth while to consider briefly how Simplified Practice concerns the credit executive.

"Distress merchandise", thrown on the market by firms in financial difficulty, amounts to hundreds of millions of dollars annually, according to estimates by the National Association of Credit Men. Such "distress merchandise", unloaded at "sacrifice" prices or unusual discounts, is paid for in two ways by the consumer. In the first place, the merchants of his community face a loss of the normal profits on their own goods of perhaps the same brands. In the second place, the consumer unwittingly pays the added costs suffered by the manufacturer, wholesaler or jobber who sold the goods to the unfortunate business house.

Obviously, such conditions represent a waste, and to prevent them would benefit everyone down the line. This, then, is the opportunity for the credit executive. No one needs a more thorough knowledge of human nature than he. No one has a better opportunity to build up a liaison organization with his company's sales force and use this liaison for preventive measures.

Inquiries by merchants to a big service bureau indicate that one in every nine is concerned with how to move slow stocks and how to speed up stock turn. These are symptoms of waste in overlarge or poorly-built-up inventories sometimes due to over-liberal credit policies. They do not necessarily indict the merchant, but they do call for cooperative action for correction and prevention by merchants, sales managers, and credit men.

Simplified Practice, through cooperation with industry in eliminating the slow-moving or obsolete articles produced by it, by reducing unnecessary or excessive varieties, offers an opportunity for concentration of inventories on the live, actively-demanded goods, for lower stock investments, quicker turnover, and a common sense avoidance of waste. It also helps the merchant to gauge his needs more effectively, and buy more intelligently.

In their double responsibility to protect their own firms and to conserve the best interests of their clients, the credit executives may very properly make suggestions which will enable those clients to avoid dangers and do a more profitable and larger business. And the cooperation of both the credit manager and his client in the Simplification movement is needed if their industry is to do as 50 other big industries have done--eliminate wastes and put their energy, intelligence and funds at work in the most effective manner, whether the credit executive and his client represent producers, distributors or users.

Secretary Hoover, in a speech to the National Distribution conference,

summed the matter up thus:

"Few people who have examined our distributive methods will deny that a minor element of our retail traders are so ignorant of the primus of accounting that they unconsciously deplete their capital to the point of exhaustion before they cease operations. It is also generally apparent that such people are dangerous competitors, who undermine the whole scheme of fair competition, and thus do far more damage than their numbers might imply.. These men are sure to result eventually in failures with a consequent waste of capital, which is reflected in higher costs to the consumer. * * * The only remedy I know is education.* * * "

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The West Coast Lumbermen's Association, at a recent meeting, voted for 100 percent adherence to American Lumber Standards.

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At a recent meeting of the Mid-Continent Retail Lumber Dealers Association, with architects, building and loan officials, and contractors, O. L. Curd, president of the association, declared that American Lumber Standards and grademarking "will be a great thing and for the best interest of the manufacturer, retailer architect, also the real estate men and the ultimate consumer, and for the loan companies who furnish the money, for they will have a better idea of the value of the property upon which they are making the loans."

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"..... the fundamental cause of our prosperity", says the bulletin of a great New York Bank, "over the past few years has not been the activity of any one industry or group of industries, but rather the great per capita production which has made it possible for each worker to share in a larger way in the returns from industry and thus maintain consumption on a high level of production." And Simplified Practice helps to maintain per capita production.

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Under the heading "Standardization of Grinding Wheels in America," the Italian Magazine "L'Industria Meccanica, discusses the Simplified Practice Recommendation of Grinding Wheels and the work leading up to the elimination of 459,000 sizes and shapes of this product. This journal declares "This method clearly shows what economy can result from it."

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Meeting the chain store on its own ground, one Illinois retailer tells in an Exchange of some factors in this competition: "One merchandising point I have learned is to carry not more than one or two duplicating lines. Some years ago I thought I must keep every well-known brand in stock.....That cut down my turnover and increased my loss from dead stock. My turnover is now 25 times a year, and all the dead stock in my store could be carried out in one wheelbarrow load."

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British motor manufacturers are working through the Society of Motor Manufacturers and Traders to bring about standardization of parts and components which can be made interchangeable without impeding progress in design, says a recent issue of the London Times Trade & Engineering Supplement. Reduction of costs is the goal there, as it is here,

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Class No. 1 railroads of the country showed that in 1925 capital tied up in supplies was reduced to \$35,000,000 over that for 1924, 67 roads showing a reduction, says an Exchange. The Pennsylvania Railroad made a \$15,000,000 cut and the Atchison, Topeka & Santa Fe, \$3,000,000, Union Pacific Lines, New York Central and Chicago & Northwestern, more than \$2,000,000 each. The Chicago, Burlington & Quincy, Baltimore & Ohio, Boston & Maine, Chesapeake & Ohio, New York, New Haven & Hartford, Norfolk & Western, Northern Pacific, and Southern Pacific, were in the \$1,000,000 reduction class. Simplification proves its worth again.

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By concentration of its stores material of different types at strategic points and by merging its reclamation work at a single center, the Boston & Albany Railroad has reduced its stocks 40 percent, and material balances have been \$2,845,600, says an Exchange. Simplification and stock control were factors in the saving.

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Under the title "An American Initiative and Fight Against Waste", Henry Le Chatelier, of Paris, in a recent bulletin, comments "In order to understand the prosperity of the United States, it will not do merely to examine their industrial realizations in detail: it will be necessary to study as well the hidden and profound causes of their success. Standardization as now prosecuted under the impulse of the Department of Commerce is the result of a long series of efforts...."

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The Bureau of Standards of this Department has prepared a classified list of the commercial testing laboratories of the country in accordance with the types of commodities tested. The information relating to these laboratories has been arranged alphabetically in accordance with the geographical location of the headquarters of the laboratories. Work has been completed on the preliminary classification of the college laboratories, but it has been considered desirable to postpone the preparation of the final classified list of these laboratories until after the opening of the colleges in the Fall.

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The entire membership of the Asphalt Shingle Roofing Association have voted officially to certify to the purchasers that commodities supplied by them under the Federal Government Master Specifications have been tested and found to comply with these specifications.

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The marketing system of the country is undergoing constant improvement by the adoption of simplification and the elimination of waste resulting in better economical methods of buying, efficiency in storing goods, better financing, etc. Chain stores have become perhaps the most important development in the merchandising field, largely because they simplify the selling function. They reduce the storage service to a minimum, because in their warehouses they carry a limited line of goods, as compared with the wholesale grocer. They know the needs of their own retail outlets and can, therefore, buy and keep in stock only what will be needed. Turnover is accelerated. There is no accumulation of old stocks. This rapid turnover is carried out also in the retail outlets. Analogous to the savings in the wholesale departments of chain store companies are the savings of cooperative wholesale houses in the drug trade, grocery trade, and to a considerable extent in other fields.

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Annual savings running well into the millions of dollars are the direct results of the contests held each year by the lumber industry. The contests are arranged by the National Lumber Manufacturers Association as an important feature of its waste prevention campaign. The paramount objective is to stimulate employees to concentrate their thought upon the problems of logging and milling, and, by so doing, to promote their own welfare, to assist in securing closer utilization of standing timber, to assist in the improvement of the quality of lumber, and to help reduce the cost of efficient lumber manufacture. Prizes have just been awarded to the winners of the fourth annual contest by the association.

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In a recent review of American business methods, the "London Observer" made this significant comment: "Our investigation showed plainly that America's prosperity was due not so much to her natural advantages as to the enlightened policy of her citizens in developing them."

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The Honorable James Francis Burke in a recent address said: "The new watchword for both business and government is WEED OUT THE WASTE." He further said that the world is realizing that improved manufacturing methods are adding to the pleasure of living. As the comfort and contentment of the masses are increased, the stability of trade and the security of investment are likewise promoted. Reducing lost motion, cutting out elements of waste, eliminating too high a degree of diversification of products, and doing away with a large number of unnecessary plants that rest like crushing weights on the back of American industry, -- all of these are steps toward economy and efficiency, increased profits to the manufacturer, increased wages to labor and lower prices to the consumer.

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The Stores Department of the Erie Railroad recently held an annual meeting at Kent, Ohio, which was productive of many interesting facts in regard to the progress made in the direction of efficiency and the recognition given the work. Notable among these was the steady reduction which has taken place in the supplies carried in stock on this road from approximately \$12,000,000 in 1921 to approximately \$7,000,000 at the close of 1925. The reductions were made

possible (1) by the installation of stock books; (2) putting into effect standard practices insuring uniformity; (3) by improving physical conditions with unit piling and unit count of material, resulting in quick monthly inventories; (4) by assembling slow-moving material at strategic points where it could be secured quickly; (5) by watching obsolete material, the retirement of old equipment, the standardization of material and the study of standards.

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A Bibliography on Executive Ability, Leadership and Management has been prepared by the Division, mimeographed copies of which will gladly be supplied upon request to the Chief of the Division. It is expected this bibliography will be helpful to executives and others interested in improved management practices, and the increasing responsibilities of executives in this new and greater era of industrial and commercial development.

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Over 160 cities have lined up for meetings during Management Week, October 25-30, 1926.

Rotary International, the Kiwanis, the Civitans, the Cosmopolitan and the Lions Clubs have all taken hold of the movement. The National Industrial Conference Board, with its many member organizations, National Association of Purchasing Agents, National Association of Office Managers, National Association of Brass Manufacturers, American Railway Association, Division of Purchases and Stores, National Association of Cost Accountants, National Retail Dry Goods Association, Society of Automotive Engineers and Taylor Society are among the national bodies which are supporting Management Week in one way or another.

President P. M. Crowley of the New York Central System advises the National Committee that he is placing the subject before the executives of the various New York Central Lines for attention. The Delaware & Hudson, Delaware, Lackawanna and Western, Norfolk & Western, Norfolk & Southern, Chicago, Milwaukee & St. Paul, Missouri-Kansas-Texas, and Southern Railway are among the railroads which are cooperating, while 16 life insurance companies in a half dozen or more states, 14 colleges and a large number of corporations and individual concerns are lending their assistance.

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Mr. Ray M. Hudson, Chief of the Division of Simplified Practice, Department of Commerce, is on a trip to the Pacific Coast to meet organizations and individuals interested in Elimination of Waste. This trip was taken at the request of the Western Manufacturers Associations, Purchasing Agents Associations and other organizations so that the manufacturers, distributors and consumers on the coast may have an opportunity to learn at first hand, something of the economic movement to reduce waste, which is being sponsored by the Department of Commerce in cooperation with American Industries.

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The inclosed list shows the active and completed projects of the Division of Simplified Practice as of September first.

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